

Larry E. Craig, Chairman  
Jade West, Staff Director

# Legislative Notice

Editor, Judy Gorman Prinkey

No. 20

June 18, 1999

Calendar No. 66

## H.R. 975 — Steel Import Limitation Act

Read the second time and placed on the Senate calendar on March 19, 1999. H. Rept. 106-52.

### NOTEWORTHY

- A cloture petition on a motion to proceed to H.R. 975 likely will be filed today, with a vote to occur on Tuesday, June 22.
- H.R. 975 directs the President to impose quotas, tariff surcharges, or negotiate enforceable voluntary export restraint agreements in order to ensure that the volume of specified imported steel products during any month does not exceed the average volume of imported steel for the 36-month period preceding July 1997.
- On June 16, 1999, the Committee on Finance reported out a bill (not yet assigned a number) known as the "Steel Trade Enforcement Act of 1999." The Finance Committee bill, which takes a different legislative approach to the steel import question than H.R. 975, could be introduced as a substitute amendment during floor consideration of H.R. 975. [For details, see Possible Amendments, below.]
- Section (a) of H.R. 975 includes provisions similar to those in S. 395, introduced by Senator Rockefeller on February 9, 1999, and referred to the Committee on Finance. There has been no Committee action on S. 395.
- H.R. 975 was reported from the House Committee on Ways and Means on March 15, 1999. The full House approved the bill on March 17 by a vote of 289-141.
- The Clinton Administration has threatened a veto of H.R. 975 if it is sent to the President.

---

## HIGHLIGHTS

---

- H.R. 975 directs the President to impose quotas, tariff surcharges, or negotiate enforceable voluntary export restraint agreements in order to ensure that the volume of imported steel products (semifinished, plates, sheets and strips, wire rods, wire and wire products, rail type products, bars, structural shapes and units, pipes and tubes, iron ore, and coke products) during any month does not exceed the average volume of imported steel for the 36-month period preceding July 1997.
- The Act also directs the Secretaries of the Treasury and of Commerce to implement a program for administering and enforcing the restraints on such imports. The Customs Service is authorized to refuse entry into the U.S. customs territory for a three-year period of any steel products that exceed the allowable levels of such products.
- H.R. 975 directs the Secretary of Commerce to establish and implement a steel import notification and monitoring program. Any person who intends to import steel products into the United States would first have to obtain an import notification certificate. The Act sets forth specified import notification certificate requirements.
- The Secretary of Commerce would be required to publish certain information obtained from steel import notification certificate applications regarding imported steel, including country of origin, port of entry, quantity, value of steel imported, single producer or exporter countries, and whether such imports are entered into a bonded warehouse or foreign trade zone. The Commerce Department could charge reasonable fees to defray the costs of carrying out this Act.

---

## BACKGROUND

---

H.R. 975 is intended to address a surge in steel imports seen as having potentially negative consequences for the U.S. steel industry and its employees. This surge is related to a decline in the economies of East Asia, Russia, and Brazil, which has resulted in the weakening of the world steel market. As Asian consumption, in particular, has fallen, output formerly consumed in other markets has been diverted to the United States and Western Europe. In addition, some European producers who previously exported to Asia are also diverting their steel mill products to the United States. Supporters of steel quota legislation also point to market barriers abroad, dumping and subsidization, and a lack of commitment on the part of the Clinton Administration to enforce our trade laws.

On September 30, 1998, based on cases filed by 12 companies and the United Steel Workers, the Department of Commerce (DOC) issued preliminary determinations that hot-rolled, flat-rolled, and carbon-quality steel products from Brazil and Japan were dumped in the United States. Importers from those countries will now have to pay cash deposits or post a bond on imports of these products, in some cases as far back as mid-November 1998.

However, supporters of H.R. 975 point out that the steel import surge is not limited to one product line. U.S. specialty steel companies, and even minimills, have filed trade suits. The crisis persists, they contend, because the Clinton Administration has been unwilling to use the full range of available executive authority to stop it, despite repeated pleas from Congress, the industry, and steelworkers to develop a comprehensive solution that will end the crisis and discourage such problems in the future. Appropriate trade suits have been filed, only to have the Commerce Department allow some of the biggest offenders to negotiate suspension agreements in lieu of imposing the appropriate antidumping and countervailing duties. For example, the Department initialed suspension agreements with Russia and Brazil that reward them with unearned market share for hot rolled steel, despite finding preliminary antidumping margins ranging from 71 percent to 218 percent for Russia and 51 percent to 71 percent for Brazil. Additionally, the Department found preliminary countervailing duty margins ranging from 7 percent to 9 percent for Brazil.

On January 7, 1999, the Clinton Administration issued an "action plan" to counter unfair steel practices. Efforts have focused on Japan, Korea, and Russia, the three countries which account for 78 percent of the increase in U.S. steel imports, and on the European Union as a major steel consumer. While a number of steel companies and their employees favor limiting steel imports, opponents to such curbs include steel trade groups and consumer, automobile, and petroleum trade groups. These latter groups believe that intervention will adversely affect other industries. [For details on recommended action by critics of H. R. 975, see Possible Amendments, below.]

---

## BILL PROVISIONS

---

### Section 1. Reduction in Volume of Steel Imports

Under subsection (a), within 60 days after the date of the enactment of this Act, the President shall take the necessary steps, by imposing quotas, tariff surcharges, negotiated enforceable voluntary export restraint agreements, or otherwise, to ensure that the volume of steel products imported into the United States during any month does not exceed the average volume of steel products that was imported monthly into the United States during the 36-month period preceding July 1997. Subsection (b) requires the United States Customs Service to implement a program for administering and enforcing the restraints on imports under subsection (a) and to refuse entry into the customs territory of the United States of any steel products that exceed the allowable levels of imports of such products.

Subsection (c) establishes the following with respect to application of the requirements of subsection (a) —

**Categories:** This section applies to semifinished, plates, sheets and strips, wire rods, wire and wire products, rail type products, bars, structural shapes and units, pipes and tubes, iron ore, and coke products.

**Volume:** For the purposes of this section, the volume of steel products is based on tonnage of such products.

Subsection (d) provides for the expiration of this section at the end of the three-year period beginning 60 days after the date of enactment.

[NOTE: the foregoing provisions are virtually identical to those of S. 395, introduced by Senator Rockefeller on February 9, 1999, and referred to the Committee on Finance.]

## **Section 2. Steel Import Notification and Monitoring Program**

Under subsection (a), the Secretary of Commerce, in consultation with the Secretary of the Treasury, must establish and implement a steel import notification and monitoring program that requires any person importing a product classified under chapter 72 or 73 of the Harmonized Tariff Schedule of the United States to obtain an **import notification certificate** before such products are entered into the United States. Under subsection (b), in order to obtain a steel import notification certificate, an importer shall submit to the Secretary of Commerce an application containing —

- (A) the importer's name and address;
- (B) the name and address of the supplier of the goods to be imported;
- (C) the name and address of the producer of the goods to be imported;
- (D) the country of origin of the goods;
- (E) the country from which the goods are to be imported;
- (F) the United States Customs port of entry where the goods will be entered;
- (G) the expected date of entry of the goods into the United States;
- (H) a description of the goods, including the classification of such goods under the Harmonized Tariff Schedule of the United States;
- (I) the quantity (in kilograms and net tons) of the goods to be imported;
- (J) the cost insurance freight (CIF) and free alongside ship (FAS) values of the goods to be entered;
- (K) whether the goods are being entered for consumption or for entry into a bonded warehouse or foreign trade zone;
- (L) a certification that the information furnished in the certificate application is correct; and
- (M) any other information the Secretary of Commerce determines to be necessary and appropriate.

Other provisions specify treatment of merchandise that is initially entered into a bonded warehouse or foreign trade zone; a 30-day period of validity for import certificates; requirements regarding compilation of statistical information by the Commerce Department; authorization for the Commerce Department to collect fees for issuing certificates; a requirement that information be released regarding importers, including information obtained regarding imports from a foreign producer or exporter that is the only producer or exporter of goods subject to this section from a foreign country; and authority for the Commerce Department to prescribe such rules and regulations relating to the steel import notification and monitoring program as may be necessary to carry out the provisions of this section.

---

## **ADMINISTRATION POSITION**

---

A Statement of Administration Policy (SAP) of March 16, 1999, issued on the eve of the House vote, states that "if H.R. 975 were presented to the President in its current form, his senior advisors would recommend a veto." Attached to the SAP is a letter of March 10, 1999, from White House Chief of Staff John Podesta to House Ways and Means Committee Chairman Archer, which states in part: "Quotas imposed outside of the World Trade Organization (WTO)-consistent processes contained in our trade laws (section 201 safeguards laws or the quota suspension agreement provisions

in our antidumping and countervailing duty laws) violate our international trade obligations. These quotas would not be based on a determination of whether the imports are causing or threatening serious injury, or whether unfair trade or subsidization is involved as required by WTO."

---

## **COST**

---

The House report states that the provisions of H.R. 975 would decrease revenues by \$43 million between fiscal year 2000 and fiscal year 2002 and would increase discretionary spending by \$2 million in FY 2000 and by less than \$500,000 per year thereafter.

---

## **POSSIBLE AMENDMENTS**

---

On June 16, 1999, the Committee on Finance reported out a bill (not yet assigned a number) known as the "Steel Trade Enforcement Act of 1999." During floor consideration of H.R. 975, the Finance Committee bill could be introduced as a substitute amendment.

The Committee bill would take two significant steps to address the current challenges facing the steel industry and steel workers. The first is to require the U.S. Trade Representative to initiate a section 301 investigation to identify foreign market-distorting practices that insulate foreign steel manufacturers from competition in their domestic markets and insulate them from the capital market pressures facing the steel industry in the United States. The proposal would require the development of a comprehensive, government-wide strategy to eliminate foreign market-distorting practices affecting the U.S. steel industry and institute a follow-up mechanism to ensure that action is taken to address the fundamental problem facing the steel industry today.

Second, the Committee alternative would amend section 201 of the Trade Act of 1974 to improve and accelerate the procedures under the trade laws for addressing surges. Third, the alternative would implement an import monitoring program akin to that contained in H.R. 975/S. 395 that would allow for the early release of data on import surges so the industry could file trade actions to defend themselves at an earlier stage. Fourth, the alternative would require the U.S. representatives to all international financial institutions (such as the IMF and the World Bank) to oppose any financing to steel industries abroad, as well as to encourage the privatization of steelmaking capacity that remains in state-ownership overseas (notably China, but even in France, the government owns a portion of the largest French steelmaker). Finally, the alternative contains a specific provision that would address the single biggest complaint of the steel industry (as opposed to the unions) — the concern about the negotiation of suspension agreements. Under the Finance Committee bill, the Commerce Department would have to get the agreement of the petitioning industry as a condition of the suspension agreement. If the petitioning industry does not agree, the Department could only enter into a suspension agreement if the failure to do so would represent a threat to the national security of the United States or would pose an extraordinary threat to the U.S. economy.

---

Staff contact: Jim Jatras, 224-2946